

Message Text

CONFIDENTIAL

PAGE 01 GENEVA 07562 01 OF 02 171531Z

ACTION STR-07

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-11 IO-13
ISO-00 STRE-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15
OIC-02 /169 W

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P 171518Z MAY 78

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 9725

INFO AMEMBASSY BRUSSELS

AMEMBASSY OTTAWA

C O N F I D E N T I A L SECTION 01 OF 02 GENEVA 07562

USMTN USEEC

STR FOR ACTION

E.O. 11652: GDS

TAGS: MTN, ETRD, EEC

SUBJECT: CUSTOMS VALUATION - MEETINGS WEEK OF MAY 8

1. SUMMARY: DESPITE CLUMSY PRESENTATION OF EC POSITION, WORK ON CUSTOMS VALUATION DRAFT CONTINUED TO PROGRESS. AFTER WEEK OF BILATERAL AND PLURILATERAL MEETINGS, EC AGREED TO CREATE NEW DRAFT OF FIRST SIX ARTICLES OF MTN/NTM/W/122 TAKING INTO ACCOUNT VIEWS EXPRESSED AT MEETING. U.S. DEL AGREED TO REDRAFT ITS PROPOSED ARTICLES ON "TESTS" AND TWO OTHER SMALL PARAGRAPHS. NEXT MEETING DATE WAS LEFT OPEN, BUT LIKELY WILL BE FIRST FULL WEEK IN JUNE. END SUMMARY.

2. WEEK BEGAN WITH US/EC BILATERAL TO FURTHER DISCUSS "CONCEPTS" CONTAINED IN FIRST SIX ARTICLES OF EC VALUATION
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PAGE 02 GENEVA 07562 01 OF 02 171531Z

DRAFT. IN FIRST OF SEVERAL "MUTT AND JEFF" ROUTINES, EC DEL (CHUMAS) PRESENTED EC POSITION ONLY TO BE TOLD IN MEETING BY HIS AIDE (MULLINS), THAT THE POSITION WAS ABSURD AND WOULD NEVER BE ACCEPTED BY EC.

3. US/EC BILATERAL WAS FOLLOWED BY TWO DAYS OF PLURILATERAL MEETINGS WITH MAJOR DEVELOPED COUNTRIES (US, EC,

JAPAN, NORDICS, CANADA). FIRST PLURILATERAL ESSENTIALLY WAS TO BRING OTHER COUNTRIES UP-TO-DATE ON US/EC POSITIONS. WORK PROGRESSED ON BASIS OF EC COMPOSITE DRAFT ON U.S. AND EC POSITIONS, PREVIOUSLY SENT TO WASHINGTON. NO CONCEPTUAL PROBLEMS WERE RAISED WITH RESPECT TO ARTICLES 1-3, BUT SEVERAL TECHNICAL AND PRESENTATIONAL PROBLEMS WERE DISCUSSED. ALL DELS, EXCEPT THE U.S., SUPPORTED USE OF THE DEDUCTIVE METHOD AS A VALUATION STANDARD. ONLY THE CANADIAN DEL SUPPORTED USE OF COMPUTED VALUE AS A VALUATION STANDARD. ALL DELS, OTHER THAN THE JAPANESE, WERE INTERESTED IN THE CONCEPT OF ESTABLISHING "TESTS" TO EXAMINE TRANSACTION VALUE. BOTH THE NORDICS AND CANADIANS, HOWEVER, WERE APPREHENSIVE OVER THE PRACTICAL ADMINISTRATION OF SUCH TESTS. THE FIRST PLURILATERAL CONCLUDED WITH A DISCUSSION ON POSSIBLE FINAL VALUATION STANDARDS. EVEN IF DEDUCTIVE AND COMPUTED VALUE STANDARDS WERE EVENTUALLY ACCEPTED, ALMOST ALL DELS FELT A FINAL STANDARD WOULD BE NECESSARY.

4. IN LIGHT OF THE FIRST PLURILATERAL DISCUSSIONS, THE EC DEL OFFERED TO DRAFT A NEW TEXT FOR CONSIDERATION OF THE NEXT MEETING. THE EC INTERNALLY COULD NOT COME UP WITH A UNIFIED POSITION AND BEFORE THE NEXT MEETING DISTRIBUTED ONE TEXT FROM CHUMAS AND ANOTHER FROM MULLINS (HAND-CARRIED TO WASHINGTON BY WILSON). THE LATTER CONFIDENTIAL

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PAGE 03 GENEVA 07562 01 OF 02 171531Z

WAS A NON-STARTER AND WORK AT THE SECOND MEETING FOCUSED SOLELY ON CHUMAS' DRAFT.

5. BOTH DRAFTS WERE CONSIDERABLY DIFFERENT FROM PREVIOUS TEXTS. PLURILATERAL MEETING THEREFORE CONSISTED OF FURTHER CONCEPTUAL DISCUSSION AND OF REINSERTING U.S. PROVISIONS THAT HAD BEEN DELETED. MEETING PROGRESSED BETTER THAN ANTICIPATED. EC, IN PRINCIPLE, MADE SIGNIFICANT STEP TOWARD ACCEPTANCE OF COMPUTED VALUE, AND NORDICS WERE MORE RECEPTIVE TO CONCEPT OF "TESTS". AT END OF MEETING, EC AGREED TO DISTRIBUTE A NEW DOCUMENT REFLECTING THE VIEWS SET FORTH AT THE SECOND PLURILATERAL. U.S. DEL AGREED TO REDRAFT THE "TESTS" ARTICLE AND IN SO DOING, DROP THE "TESTS" RELATING TO SALES TO AND FROM THIRD COUNTRIES. U.S. DEL ALSO AGREED TO REDRAFT ARTICLE 1(B) AND 1(D) (CHUMAS DRAFT).

6. MOST CONTROVERSIAL PART OF MEETING CONCERNED EXCHANGE WITH CANADIAN DEL. CHUMAS HAD INCLUDED IN HIS DRAFT A CANADIAN PROPOSAL SETTING FORTH DEROGATIONS FOR SPECIFIC PRODUCT GROUPS FROM CODE'S OBLIGATIONS. THE DEROGATIONS CONSTITUTE PROTECTION THROUGH VALUATION

FOR JOB LOT SALES, END OF SEASON SALES, ETC. U.S. DEL,
SUPPORTED BY THEFORDICS, STATED THAT SUCH DEROGATIONS
WERE NON-STARTERS IN THE VALUATION CODE. U.S. DEL
NOTED SUCH PROTECTION PROPERLY BELONGED IN TARIFFS OR
OTHER "UP FRONT" MEANS, BUT MORE IMPORTANTLY, THAT IF
THE GOC PUT SUCH DEROGATIONS IN THE DRAFT, EVERY POTENTIAL
LDC SIGNATORY WOULD INSIST ON DEROGATIONS AS WELL.
CANADIAN DEL RESPONDED THAT WITHOUT DEROGATIONS, GOC
WOULD NOT BE ABLE TO SIGN A CODE. IT WAS AGREED TO
LEAVE THE CANADIAN DEROGATIONS OUT OF THE WORKING DRAFT.

7. GROUP AGREED TO MEET AGAIN (POSSIBLY FIRST FULL
WEEK OF JUNE) AFTER EC HAD DISTRIBUTED A NEW DRAFT.
U.S. OFFERED TO ATTEMPT TO PRESENT ITS SECTIONS OF DRAFT
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PAGE 04 GENEVA 07562 01 OF 02 171531Z

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PAGE 01 GENEVA 07562 02 OF 02 171533Z
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C O N F I D E N T I A L SECTION 02 OF 02 GENEVA 07562

USMTN USEEC

STR FOR ACTION

TO THE EC THE WEEK OF MAY 15.

8. COMMENT: ALTHOUGH PROCEDURALLY MEETINGS WERE DIS-
ORGANIZED, DUE TO EC INTERNAL PROBLEMS, MOVEMENT ON
BROADER LEVEL HAS BEGUN. CANADIAN POSITION APPEARS TO BE
DEEPLY ROOTED IN LOCAL DEL AND MAY NEED PUSH FROM OTTAWA
TO BECOME MORE FLEXIBLE. END COMMENT.

9. DRAFTED BY SHELLEY. MCDONALD

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